P

App. F. IX-4

Previous References 1938-9. (C.S)

File No. 14 - 38.

Serial Nos. 2, 6, 7, 9, 12

Letter References

PRESERVED

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. five

Part B for Nov 38

SUBJECT.

Rules framed under the Mysore Cooperative Societies Act.

D 3604 dt 25-10-38.

N Compiler rig

WD 0295—GPB—22,500—15-8-37

Notice to making of rules

G. R. S. APP. F. III—1]

(1)

GENERAL AND REVENUE SECRETARIAT. 455

(bs)

NOTES.

File No. 14-38

FILE HEADING

Rules framed under the Mysore Cooperative Societies Act

FROM The Registrar Cooperative Societies Mysore

No. 1140 Dated 26-7-38 Received 27-7-38

Diary No. 45 Enclos. — Spare copies — Serial No. 2

BRIEF ABSTRACT OF LETTER

Requests that a rule be framed under the Act that unregistered societies should not be taken for purpose of Cooperative Societies etc.

NOTES AND ORDERS.

1) A copy of the G.O referred to in the P.L.D is placed below for perusal. Draft notification calling for the objections to the proposed rule is submitted for consideration and orders.

Sd/ 29/7/38

168 29.7

2) Seen (Sd)

3) 11 memos

Sd 25

Sd 1/8/38

4) 18-38

168 1.8

SECOND MEMBER OF COUNCIL. 1 AUG. 1938 No. 626

TYPING SECTION 3 AUG. 1938 GEN'L SECTT.

NOTES—First Sheet

WD 0283—GPB—3,750—25-1-38

Issue 168 2/8

C.S. File No. 14 of 1938. General and Revenue Secretariat

To the Compiler. Mysore Gazette. D 994. 6-8-38 6

Notifies draft rule prohibiting the treating of accrued interest but unrealised as profits by Cooperative Societies.

Copy to the Registrar of C.S. D 995. 6-8-38

GEN. & REVENUE SECRETARIAT. DEVELOPMENT BRANCH.

Letter No 126 dated 3-9-38 from the Hony Secretary Coop. Society Hassan offering the formation of the rule

Submitted with reference for perusal. The rule will be taken up for consideration after the 11th Oct 38.

9/9/38

9.9.

Letter No 1981 dated 20/9/38 from the President B'lur Central Cooperative Bank Ltd requesting that the period for the receipt of objections may be extended till 15/11/38.

Draft notification extending the period till 15/11/38 is submitted for Consideration. A draft reply to the President is also submitted

28/9/38

29/9

(Secy to G.)

Registrars may be consulted

Memo No 80 dated 6-10-38 6/10/38

I forwarded with Compliments to the Registrar of Cooperative Societies in Mysore for favour of remarks

30/9

By order

Secretary

Office of the Registrar of Co-operative Societies 8 OCT. 1938 No.

General and Revenue Secretariat | File No. of 193 | [App. F. III-2

Serial No.

4629 G. dated 14.10.1938. Encl. one file

Returned with compliments:

16) The objection raised by the Hassan Co-operative Society, Ltd., seems to have been based on an erroneous interpretation. The society is decidedly of opinion that only interest realised in a particular year should be treated as profits of that year as otherwise it would "disable the distribution of the dividends for the years in which they are earned". This means that the society is against the discretion of taking even one year's interest accrued but not realised as profits.

11) The President of the Bangalore Central Co-operative Bank has stated that it has been decided to place the question before the General Body of the Bank, in consultation with me at the meeting fixed to be held on 16th October 1938. The above statement is incorrect. In the discussions I had with the Directors recently in my office, no reference was made to this Rule. I agree that the Rule involves a radical departure from the long established practice of this Bank. The authorities of the Apex Bank, the one other institution which had adopted this pernicious practice, have accepted the soundness of the principles underlying the Rule and have been declaring profits on a cash basis for the last two years. The management of the Central Bank on the other hand are opposed to the Rule. The General Body of Share-holders will always think of their dividends and do not try to understand the actual state of affairs in a dispassionate spirit, as their dividend earning propensities will have the better sway. No useful purpose will, therefore, be served by the matter being placed before the General Body of the Bank. The President is not unaware of this

SELF GOVT. 15 OCT 1938 GOVT OF MYSORE

NOTE—Contn. Sheet.

The

P.T.O.

General and Revenue Secretariat

Serial No.

2.

The meeting of the Bank is fixed to be held on 20th October 1938 and ~~no~~ not on 16th October 1938 and it appears to me that the idea behind the President's asking for time is to so manage that the Rule may not be operative for the year 1937-38 as the balance sheet will be passed on 20th October 1938 and the dividends paid during the first week of November 1938. There may be the election stunt also behind this move.

12) In these circumstances, I think there is not ~~any~~ real need for extending the period for sending up objections.

Registrar.

L.S.14/10.

13) The period of two months fixed in the rule for hearing objections is past. The rule may therefore be passed finally. The Registrar CS is not in favour of extending the time, as asked for by the Tirumala Central Coop Bank.

15/10/38

(To member)

14) 15/10

20/10/38

20/10/38

15) Draft notice ~~Early~~ today.

20/10

SECOND MEETING OF COUNCIL. 17 OCT. 1938 No. 2757

Letter dated 10/10/38 from Mr. C. E. [illegible] requesting that the rule be passed early.

1674 of 1939 5

General and Revenue Secretariat — File No. 14 of 1938. [App. F. III–2

Serial No.	
	Draft notification & Rules for cable 20/10/38 Reg & G.S. 20/10 20/10/38 21/10
12	No D 3604 dt 25-10-38 To the Comptroller & A.G. — Notifies the making of the rule. No D 3605 dt 25-10-38 To the Regr. C.S. Do. Copy of the above.

GOVT. OF MYSORE 22 OCT 1938
GEN. & REVENUE SECRETARIAT 24 OCT 1938
DEVELOPMENT BRANCH 31/10/38

NOTE—Contn. Sheet.

GOVERNMENT OF MYSORE. (1) C.S. 14-38-2

No. 1140 C. S.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" Bangalore

Dated Bangalore, 26th July 1938

GEN. & REVENUE SECRETARIAT. 27 JULY 1938 455 DEVELOPMENT BRANCH.

From

M. ABDUL HUKH, ESQ., B.A.,
Registrar of Co-operative Societies in Mysore,
BANGALORE.

To

P.H.Krishna Rao, Esq., M.A.,
Secretary to the Government of Mysore,
Local Self-Government Department, Bangalore.

Sir,

I have the honour to invite kind reference to the following observations of the Mysore Co-operative Enquiry Committee and to Government Order No.D.596/C,S.107-37-6 dated 22nd July 1938 in the matter of framing a Rule under the Mysore Co-operative Societies' Act prohibiting the treating of interest accrued due but unrealised as profits for the purpose of distribution of dividends to the share-holders and to state that the framing of the Rule is absolutely necessary.

Observations of the Committee.

"There should be a definite rule under the Regulation prohibiting the inclusion, for the purpose of reckoning profits for distribution among share-holders, of all overdue interest, that is, interest accrued due but unrealised for more than six months. But in the case of Central Institutions, the Registrar may in special cases permit an exemption in favour of preference share-holders when he considers such a course justified or desirable. Interest earned but not realised should be shown separately in the profit and loss account. All accrued interest so deducted, which is actually recovered during a subsequent year, may however, be permitted to be added to the profits of such year available for distribution. No dividend should be paid otherwise than out of profits actually realised"

I therefore propose that the following Rule may be framed as Rule 35 under the Mysore Co-operative Societies' Act:-

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued due

P.T.O.

due but not actually realised shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may in special cases and after due enquiry, permit or authorise a society to treat interest accrued due for a period not exceeding one year as profits but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year before the net profits of that year are arrived at.

I have the honour to be,
Sir,
Your most obedient servant,

Registrar.

L.S.26/7.

Appendix F G—1]

SUBJECT .....

.....

.....

Section 65

File No. 14-38

Serial No. 6

Diary No. of letter replied to .....

No. D994

Notification

In exercise of the powers vested in them under Sec 44(1) of the Mysore Cooperative Societies Act of 1959 as amended from time to time, the Govt of H. H. the Maharaja of Mysore ~~are pleased to~~ hereby publish for general information the following draft rule prohibiting the treating of ~~interest~~ interest, ~~treating~~ accrued, due but unrealised, as profit by ~~the~~ Co-operative societies.

General and Revenue Secretariat

( )

the 193 .

Date of issue 6-8-38

Signed by MR-16

Any suggestions or objections to the proposed rule ~~by persons or bodies likely to be affected by this rule~~ may be forwarded to the Secretary to Govt L. S. G. Dept within two

List of enclosures.....

Copied by .....

Examined by.....

WD 0278—GPB—30,000—4-3-38

months from the date of publication of the draft rule in the Mysore Gazette after which the draft rule will be taken up for Consideration

Any objections received after the date will not receive Consideration

(Here enter the portion marked in brackets in P. VD)

B. O

18/7

Secy. L. & J.

To the Compiler Mysore, for publication in Part IV of the Gazette in English & Kannada with the request that 25 copies of each of the Notification may be sent to this office

Memo

Copy of the above is forwarded with Compts to the Registrar of Co. in Mysore for info with reference to his letter No. 1146 dated 26/7/38

B. O

Secy. L. & J.

b 795

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

General and Revenue Secretariat,

No. Dated, Bangalore, 6th August 1938.

D 994 / Cs. 14-38-6

NOTIFICATION.

In exercise of the powers vested in them under Section 44 (1) of the Mysore Co-operative Societies Act of 1918 as amended from time to time, the Government of His Highness the Maharaja of Mysore hereby publish for general information the following draft rule prohibiting the treating of accrued interest due but unrealised, as profits by Co-operative Societies.

Any suggestions or objections to the proposed rule may be forwarded to the Secretary to Government, Local Self-Government Department within two months from the date of publication of the draft rule in the Mysore Gazette after which the draft rule will be taken up for consideration.

Any suggestions received after the due date will not receive consideration.

Rule.

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued due but not actually realised shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may in special cases and after due enquiry, permit or authorise a society to treat interest accrued due for a period not exceeding one year as profits but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year

P.T.O.

before the net profits of that year are arrived at."

By Order,

Secretary to Government,
Local Self-Government Department.

To

The Compiler, Mysore Gazette for publication in Part IV of the Gazette in English and Kannada with the request that 25 copies of each of the Notification may be sent to this office.

jgn/14.

NOTIFICATION.

No. D. 994—*C. S.* 14-38-6, *dated, Bangalore, 6th August* 1938.

In exercise of the powers vested in them under Section 44 (1) of the Mysore Co-operative Societies Act of 1918 as amended from time to time, the Government of His Highness the Maharaja of Mysore hereby publish for general information the following draft rule prohibiting the treating of accrued interest due but unrealised, as profits by Co-operative Societies.

Any suggestions or objections to the proposed rule may be forwarded to the Secretary to Government, Local Self-Government Department, within two months from the date of publication of the draft rule in the *Mysore Gazette*, after which the draft rule will be taken up for consideration.

Any suggestions received after the due date will not receive consideration.

Rule.

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued due but not actually realised shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may in special cases and after due enquiry, permit or authorise a society to treat interest accrued due for a period not exceeding one year as profits but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year before the net profits of that year are arrived at."

By Order,
P. H. KRISHNA RAO,
Secretary to Government,
Local Self-Government Department.

Printed by the Superintendent at the Government Press, Bangalore.

NOTIFICATION.

No. D. 994—*C. S.* 14-38-6, *dated, Bangalore, 6th August* 1938.

In exercise of the powers vested in them under Section 44 (1) of the Mysore Co-operative Societies Act of 1918 as amended from time to time, the Government of His Highness the Maharaja of Mysore hereby publish for general information the following draft rule prohibiting the treating of accrued interest due but unrealised, as profits by Co-operative Societies.

Any suggestions or objections to the proposed rule may be forwarded to the Secretary to Government, Local Self-Government Department, within two months from the date of publication of the draft rule in the *Mysore Gazette*, after which the draft rule will be taken up for consideration.

Any suggestions received after the due date will not receive consideration.

Rule.

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued due but not actually realised shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may in special cases and after due enquiry, permit or authorise a society to treat interest accrued due for a period not exceeding one year as profits but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year before the net profits of that year are arrived at."

By Order,
P. H. KRISHNA RAO,
Secretary to Government,
Local Self-Government Department.

Printed by the Superintendent at the Government Press, Bangalore.

CS. 11-37 292

MEMORANDUM.

No. 126
Encl.

To The Secretary
Local & Self Government Department
Bangalore

Date 3.9.38

From
THE HON. SECRETARY,
THE CO-OPERATIVE SOCIETY, LTD.,
HASSAN.

GEN. & CENTRAL SECTN. 5 SEP. 19 DEVELOPMENT BRANCH

Sir,

I have the honour to forward herewith for your consideration the resolution passed at the General Body meeting regarding the Rule no 35 published in the Mysore Gazette of the 11th August 38.

I have the honour to be
Sir,
your most obedient Servant.

For the Co-operative Society
Hon. Secretary

"Resolved that the proposed Rule, being inequitable and being such as would disable the distribution of Dividends for the years in which they are earned, be protested against and the Govt may be requested to drop the enactment of the same.

C. S. 14-38-7.

1674

No. 197
Encls.

C3.

The Bangalore Central Co-operative Bank, Ltd.

Dated Bangalore, the 20th Sept. *19*38

From

Rajakaryapravina
P.G. D'Souza, B.A., B.L.,
Retd. Member of Council.,
President, Bangalore Central Co-operative Bank, Ltd.,
Bangalore.

GEN. & REVENUE SECTT ARIA
DEVELOPMENT BRANCH

To

The Secretary to the Government of
His Highness the Maharaja of Mysore,
Local Self Government Department,
B A N G A L O R E.

Sir,

With reference to Notification No.994-C.S. 14-38-6 Dated 6-8-1938, calling for suggestions and objections if any in regard to the rule proposed to be issued in order to prohibit the taking of accrued interest due but unrealized as profits by Co-operative Societies, I have the honour to state that as the point involved is very important and involves a radical departure from the long established practice of this Bank; it has been decided in consultation with the Registrar to place the matter before the General Body at their Next Meeting which is fixed for the 16th of October 1938. It is therefore requested that Government Orders may kindly be obtained for extending the time fixed in the notification referred to above till the 15th of November 1938 to enable the Bank to ascertain the views of its Shareholders before submitting its opinion to Government.

I have the honour to be,
Sir,
Your most obedient servant,

P G D'Souza

KDN.

PRESIDENT.

AS

D1674 - M 1 1 1

10 C.S. 14-38-9

1939

From

C. E. Rama Rau, Esq., B.A.,
54, Sankar Mutt Road, Sankarapuram,
Basavangudi Post, Bangalore.

To

The Secretary to Government,
Local Self Government Department,
Bangalore.

GEN. & REVENUE SECRETARIAT. 1938 DEVELOPMENT BRANCH.

Sir,

With reference to Government Notification No.D 994-C.S.14-38-6 dated the 6th August 1938, publishing draft rule 35 of the Co-operative Societies Rules prohibiting the treating of accrued interest due but unrealized as profits by Co-operative Societies, I beg leave to state as follows:-

This is a very healthy rule and a safe way for Banks to work without giving an opportunity to the management of manipulating accounts and showing fictitious profits and declaring dividends and bonuses. In co-operative credit, very great value, as all agree, is attached to the repaying capacity of a borrower in respect of declaring a loan realizable or otherwise. When a borrower is unable to pay interest regularly, the chances of his repaying the loan will be far remote. The principle now enunciated in the new rule will induce the declaration of such outstanding loans as doubtful or not easily realizable. The system of allowing accrued interest due but not realized to be taken into the profit and loss account makes one forget to think about the realizability of such loans. This system therefore works a double havoc, firstly of ignoring bad debts and secondly putting off the share holders from a knowledge of the true state of affairs by giving them a fat dividend which is not actually earned. When at a future date, this accrued interest due and not actually realized but taken into the profit and loss

loss account has to be written off as irrecoverable, it will be a clear case of having, in the past, declared dividends out of capital which is opposed to all principles of banking and co-operation. As a Co-operative institution is not a dividend hunting concern and as the interests of the investor and borrower have to be identified, there is no object in showing huge profits and making the share-holders believe that the affairs of an institution are quite sound when they are not really so. Taking the accrued interest due but not realized for arriving at net profits is, to say the least of it, window dressing. Experience has shown that the fate of the Bangalore Central Co-operative Bank and the Apex Bank which were throughout depending on this unreal commodity, is not eviable. The sooner this pernicious system is stopped, the safer will it be for all institutions and their constituents and the investing public. The Apex Bank has recently given up this misnomer but the Central Bank still persists in keeping it up in spite of the Registrar's wholesome advice to the contrary. It is not also untrue that these swelled figures are very misleading to the constituents and investors, many of whom may not understand all the implications of these figures. It is therefore absolutely necessary to issue the rule without any delay.

I beg to remain,
Sir,
Your most obedient servant,

C.R. Rama Rao

Bangalore,
10 October 1938.

Appendix F G—1]

SUBJECT .....

.....

.....

Section 65
File No. 14-38
Serial No. 12

Diary No. of letter replied to .....

No. D 3604

General and Revenue Secretariat

( )

the *193*

Notification

Date of issue 25/10/38.

In exercise of the powers vested in them under Section 44(1) of the Mysore Cooperative Societies Act of 1918 as amended from time to time, the Govt of H.H. the Maharaja of Mysore are pleased to make the following rule prohibiting the treating of accrued interest due but unrealised as profits by cooperative societies.

Signed by Mr. P. H. K

(Here enter Rule 35 marked in brackets in the enclosure)

By order
&c
Jm
25/10

List of enclosures.....

Copied by .....

Examined by.....

WD 0278—GPB—30,000—4-3-38

K.S. Secy. L.S.G
25/10

To the Compiler Mysore Gazette

for publication in Part IV of the Gazette in English and Kannada with the requisition 250 copies of each of the notification may be sent to the Registrar of Cs and 100 copies each to this office

Memo D 3605 dated 28/10/35

Copies of the above is forwarded with compliments to the Registrar of Cs. for information

B. O

Secy. L. & J.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. D.3604/6y 4-38-12 General and Revenue Secretariat,

Dated Bangalore,.....193 .
25th October

NOTIFICATION.

In exercise of the powers vested in them under Section 44(1) of the Mysore Co-operative Societies Act of 1918 as amended from time to time, the Government of His Highness the Maharaja of Mysore are pleased to make the following rule/ prohibiting the treating of accrued interest due but unrealised as profits by Co-operative societies:-

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued due but not actually realised shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and (x that) is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may, in special cases and after due enquiry, permit or authorise a society to treat interest accrued due for a period not exceeding one year as profits, but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year before the net profits of that year are arrived at".

By Order,

K. Srinivasan

Secretary to Government,
L.S.G. Department.

To

The Compiler, Mysore Gazette, for publication in Part IV of the Gazette in English and Kannada with the request that 250 copies of each of the notification may be sent to the Registrar of Co-operative Societies and 100 copies each to this office.

x insert & the key in the fair copy

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. D 3604/ b-f 44-38-12 General and Revenue Secretariat,

Dated Bangalore, 25th October *193* 8.

NOTIFICATION.

In exercise of the powers vested in them under Section 44(1) of the Mysore Co-operative Societies Act of 1918 as amended from time to time, the Government of His Highness the Maharaja of Mysore are pleased to make the following rules prohibiting the treating of accrued interest due but unrealised as profits by Co-operative Societies:-

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued, due but not actually realised, shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may, in special cases and after due enquiry, permit or authorise a society to treat interest accrued, due for a period not exceeding one year as profits, but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year before the net profits of that year are arrived at".

By Order,

K Srinivasan

for Secretary to Government,
L.S.G. Department.

To

The Compiler, Mysore Gazette, for publication in Part IV of the Gazette in English and Kannada with the request that 250 copies of each of the notification may be sent to the Registrar of Co-operative Societies and 100 copies each to this office.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. D 3604 / Cf 4-38-12 General and Revenue Secretariat,

Dated Bangalore, 25th October *193* 8.

NOTIFICATION.

In exercise of the powers vested in them under Section 44(1) of the Mysore Co-operative Societies Act of 1918 as amended from time to time, the Government of His Highness the Maharaja of Mysore are pleased to make the following rules prohibiting the treating of accrued interest due but unrealised as profits by Co-operative Societies:-

35. "In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all interest accrued due but not actually realised, shall be deducted from the gross profits of the year, before the net profits are arrived at. All accrued interest that has been so deducted from the profits of the year and that is actually recovered during the subsequent year, may be added to the profits of the subsequent year. The Registrar may, in special cases and after due enquiry, permit or authorise a society to treat interest accrued due for a period not exceeding one year as profits, but if the amount so permitted to be treated as profits is not actually recovered during the subsequent year, it shall be deducted from the profits of such subsequent year before the net profits of that year are arrived at".

By Order,

K Srinivasan

for Secretary to Government,
L.S.G. Department.

To

The Compiler, Mysore Gazette, for publication in Part IV of the Gazette in English and Kannada with the request that 250 copies of each of the notification may be sent to the Registrar of Co-operative Societies and 100 copies each to this office.